

**WELLS
FARGO**

Incoming
50410038
Nebo Area Business Banking Group

MAC U1504-011
99 North Main
Spanish Fork, UT 84660
801 794-3467
801 794-3473 Fax

Wells Fargo Bank, N.A.

March 27, 2008

State of Utah, Division of Oil, Gas and Mining
1594 West North Temple
Salt Lake City, Utah 84112

Attn: Mr. Jed Pearson – (801)538-5382 or jedpearson@utah.gov

This letter acknowledges a certificate of deposit as Reclamation Surety by Wells Fargo Bank, N.A. from the Division of Oil, Gas, and Mining (OGM) and US Dept of Interior – Bureau of Land Management. The bank agrees to the terms and instructions of the CD Letter Agreement. An administrative hold has been placed on the account in the amount identified below until such time redemption or release authorization is provided by the Division in accordance with the instructions per the CD Letter Agreement.

Mine Site: Sevier Mining Claim #1-8, S/041/0038, UMC 363434

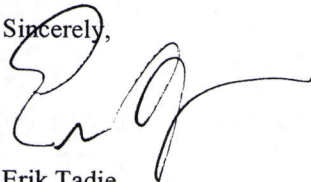
Account Name: Kretts & Co

Account Number:

Principal Amount: \$10,000.00

Original Acknowledgement: February 12, 2008

Sincerely,



Erik Tadge
Business Banking Manager

080002

RECEIVED
APR 02 2008
DIV. OF OIL, GAS & MINING

**WELLS
FARGO**

Nebo Area Business Banking Group

MAC U1504-011
99 North Main
Spanish Fork, UT 84660
801 794-3467
801 794-3473 Fax

Wells Fargo Bank, N.A.

ATTACHMENT A

March 27, 2008

TO:

State of Utah, Division of Oil, Gas and Mining
1594 West North Temple
Salt Lake City, Utah 84112

AND

US Dept of the Interior – Bureau of Land Management
UTAH STATE OFFICE
440 West 200 South, Suite 500
Salt Lake City, Utah 84145-0155

Attention: Mr. Jed Pearson, Minerals Surety Coordinator, 801-538-5382

Wells Fargo Bank, N.A., 99 N. Main Spanish Fork, UT 84660
Contact name: Erik Tadge Title: Business Relationship Manager
Phone: 801.794.3734 E-mail: erik.j.tadge@wellsfargo.com

Subject: Reclamation Surety, Certificate of Deposit for Knotts & Co
Sevier Mining Claim #1-8, S/041/0038, Sevier County, Utah, UMC 363434.

Certificate of Deposit no. _____, \$10,000.00.

This letter describes the mutually agreed upon instructions of the below signed parties to Wells Fargo Bank, N.A., regarding the control, redemption, and release of Bank's above-described certificate of deposit ("CD"), which is being used as a surety to guarantee the availability of reclamation funds for the <Mine Name> ("Mine Site"), Sevier County, Utah. It is the intention of the parties that the CD be utilized as surety to guarantee that \$10,000.00 in reclamation funds will be available to the State of Utah, Division of Oil, Gas & Mining ("Division") and the US Dept of the Interior – Bureau of Land Management upon demand in the event that the operator(s) of the Mine Site are unable or unwilling to complete reclamation of the mine site in compliance with applicable state law and regulations.

RECEIVED

APR 02 2008

DIV. OF OIL, GAS & MINING

Ownership and Renewal:

Ownership of the CD is retained by Knotts & Co a Corporation but it is held by Bank for the benefit of the State of Utah, Division of Oil, Gas & Mining and the US Dept of the Interior – Bureau of Land Management (agency) and is subject to the terms and conditions described in this agreement. Bank hereby acknowledges the pledge of the aforesaid CD to the Division and the US Dept of Interior – Bureau of Land and agrees to record the information in the bank's written and electronic records of book entry. Further, the bank acknowledges and agrees that it shall hold the moneys represented by the CD's as a custodian and agent for the Division and shall be liable to the Division for any and all losses to the principal amount of the aforesaid CD caused in any manner whatsoever during the terms of this agreement. The CD shall automatically renew indefinitely until either redeemed or released by the Director of the Division. The Division may request CD information on an occasional basis. This letter grants approval by Knotts & Co for the bank to provide CD information to the Division any time an inquiry is made via telephone, email, or letter.

Redemption:

The CD may only be redeemed (i.e., called on demand), pursuant to the written instruction or demand of Director of the Utah Division of Oil, Gas & Mining. Upon the instruction and demand of the Director, the full initial amount of the CD shall be transferred to the State of Utah, Division of Oil, Gas and Mining. Owners agree and irrevocably instruct Bank that neither the Owner(s), nor any other person claiming an ownership interest in the CD which is derived from the Owners, shall have the authority to prevent the Bank from carrying out the Director's instruction to redeem the CD. Upon redemption, any accrued interest in excess of the initial amount of the CD shall be transferred to Owners' control, or if Owners do not instruct the Bank, the accrued interest shall be reinvested in the CD. If a signature card is prepared, it shall be drafted consistent with the requirement that only the Director of the Division may redeem the CD.

Release:

The Bank shall release the CD only upon the written instruction of the Director of the Division to the Bank. Upon release, the terms and conditions of this agreement are no longer in effect, and the unconditioned control of the CD shall be returned to the Owners, or their legal successors-in-interest. In the event of Bank cancellation/termination of the Certificate of Deposit, the Division may request a transfer or release of the certificate of deposit monies into a state managed cash account to assure or complete reclamation if the Operator does not replace the Certificate of Deposit within the ninety days of Bank cancellation/termination notice. If the Bank is under a forced cancellation/termination, the Bank agrees to transfer or release the CD funds to a state managed cash account at the Division's request.

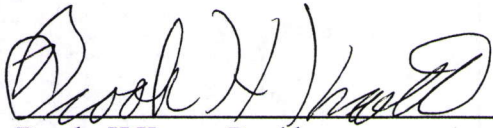
Accrued Interest:

Prior to release or redemption, all interest which accrues by the CD shall be 1) dispersed quarterly to the Owner(s) as the Owner(s) may instruct the Bank, or 2) shall be reinvested in the CD until such time the Owner(s) may instruct the Bank where to transfer such interest. In no event shall the Bank transfer any amount from the CD which would cause the redemption amount of the CD to be less than the initial amount, \$10,000.00. All tax liabilities for accrued interest shall remain the sole responsibility of the Owners.

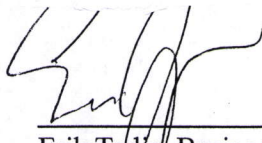
Bank will not be held liable for any dispute between the parties.

Agreed Upon By:

John R. Baza, Director
Utah Division of Oil, Gas & Mining



Brooks H Knotts, President
Knotts Co



Erik Tadic, Business Banking Manager
Wells Fargo Bank, N.A.

Date: _____

Date: 03/31/08

Date: 03/31/08